

Going Concern Statement

The group's business activities, financial performance, capital levels, liquidity and funding position, and risk management framework, along with the principal and emerging risks likely to affect its future performance, are described in the Strategic Report and the Risk Report.

The group continues to have a strong, proven and conservative business model supported by a diverse portfolio of businesses, maintaining its consistent track record of delivering profits. The group remains well positioned in each of its core businesses, and is strongly capitalised, soundly funded and has good levels of liquidity.

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the Annual Report, a range of forward-looking scenario analyses have been considered. This included a central scenario and a downside scenario.

The scenarios modelled are based on a range of economic assumptions, considering the highly uncertain external environment, including the recent impact of increasing geopolitical tensions and rising inflation on our customers and wider financial market conditions. In all modelled scenarios it has been concluded that no significant structural changes to the company or group will be required. Further details of these scenarios are set out in the Viability Statement.

Under both scenarios the company and group continue to operate with sufficient levels of liquidity and capital for the next 12 months, with the group's capital ratios and liquidity comfortably in excess of regulatory requirements.

For each of the divisions, the directors have also considered the impact of the central and downside scenarios on financial performance. For Banking these include expected customer demand that underpins loan book growth, the impact of rising interest rates and inflationary pressures on our customers and the impact this will have on the bad debt ratio and net interest margin. For Asset Management, the level of markets and amount of net flows as a percentage of opening managed assets was considered. For Winterflood, the volume of trading activity within their markets and expected trading revenue was assessed. Across all the divisions, the impact of the selected downside scenario demonstrated the resilience of our business model.

The group acknowledges that the risk landscape is constantly evolving and as such continually reviews its principal and emerging risks. As part of this review, risks are assessed with robust oversight exercised at both a local business unit and group level through risk and compliance committees and the board. The group's strong risk assessment framework provides a solid foundation to assess going concern throughout the organisation on a regular and consistent basis.

In making this assessment, the directors have also considered the operational agility and resilience of the company and group, noting that the business has successfully adapted to new ways of working and that operational and system performance have been maintained, and are expected to continue to be.

In conclusion, the directors have determined that they have a reasonable expectation that the company and the group, as a whole, have adequate resources to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.